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THESIS

DEPARTMENT OF THE NAVY FIELD CONTRACTING ACTIVITIES' CONTRACTING EFFORTS WITH THE FEDERAL PRISON INDUSTRIES, INC.

by

Brion William Loftus

DECEMBER 1991

Thesis Advisor: Rodney F. Matsushima

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One of the mandatory sources of supply for U.S. Government procurement requirements is the Federal Prison Industries, Inc. (FPI). Established by the U.S. Congress in 1934 under authority of the Prison Made Supplies Act, Title 18, USC, 4121-4129, the Federal Prison Industries, Inc., has become a supplier of a wide range of goods and services for Federal Government agencies. Initial research into the attitudes and opinions of Department of the Navy (DoN) field contracting activities toward FPI revealed that many misunderstandings exist and that relations between DoN and FPI could be improved. This study presented some of the problems that exist between DoN and FPI, why they exist, and some recommendations for improvement of those relations.

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Department of the Navy Field Contracting Activities' Contracting Efforts With the Federal Prison Industries, Inc.

by

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ABSTRACT

One of the mandatory sources of supply for U.S. Government purchase requirements is the Federal Prison Industries, Inc. (FPI). Established by the U.S. Congress in 1934 under authority of the Prison Made Supplies Act, Title 18, USC, 4121-4129, the Federal Prison Industries, Inc., has become a supplier of a wide range of goods and services for Federal Government agencies. Initial research into the attitudes and opinions of Department of the Navy (DoN) field contracting activities toward FPI revealed that many misunderstandings exist and that relations between DoN and FPI could be improved. This study presented some of the problems that exist between DoN and FPI, why they exist, and some recommendations for improvement of those relations.

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I. INTRODUCTION

A. AREA OF RESEARCH

The area of research was centered on one of the mandatory sources of supply for Federal Government agencies - the Federal Prison Industries, Inc. The purpose of the research was to examine the Department of the Navy's (hereafter abbreviated as DoN) contracting efforts with the Federal Prison Industries, Inc. (hereafter abbreviated as FPI; the trade name of FPI is UNICOR). Title 18 of the United States Code, Sections 4121 through 4129 (also known as the Prison Made Supplies Act, and amendments) established the legal framework by which delivery orders are awarded on a competitive basis to the prison factories. The major issues studied were whether or not the program of employing Federal prisoners in a Federal Government - owned company was a viable one which had demonstrated success, and why or why not DoN field contracting activities were utilizing this resource.

B. RESEARCH QUESTIONS

The primary research question was: How effectively are DoN field contracting activities complying with the requirements of the Prison Made Supplies Act? There were six secondary research questions: (1) What are the requirements of the Act? (2) How has the Act been implemented within the

Federal Government, specifically the DoN? (3) What types of supplies and services are provided by FPI? (4) What organizational impediments affect the proper use of products from FPI? (5) What benefits can be gained by actively utilizing FPI? (6) What actions are required to enhance FPI's participation in DoN contracting?

C. SCOPE OF STUDY

The study was broad in scope. The areas examined were: the intent of the Prison Made Supplies Act; a study as to whether or not the factories were meeting the intent of the law; the impact of FPI on the industrial base; the commodities currently manufactured in the factories; the barriers to enlarging the commodity base; the socioeconomic impact of FPI on the U.S. economy, prisoners, and businesses; the future goals of FPI and its future in the American economy; the relationship between FPI and other Government agencies; and the benefits/drawbacks of contracting with a mandatory source.

D. RESEARCH METHODOLOGY

1. Literature Review

A comprehensive examination of all applicable literature, statutes, regulations, published goals and objectives, and historical facts was conducted in order to lay the foundation for the rest of the thesis. The preponderance of literature was obtained from the headquarters of the Federal Prison Industries, Inc., in Washington, D.C.

2. Interviews

Research was conducted via interviews with personnel from the FPI headquarters in Washington, D.C., FPI factory managers and workers, and DoN contracting personnel in the field and at the Naval Supply Systems Command Headquarters. Insights were garnered from those agencies' executives regarding the goals of FPI, identification of barriers that must be overcome in order to contract with the Federal Government, strategies or processes used to overcome the barriers, opinions as to the most effective approaches used to overcome the barriers, and recommendations on how to improve relations among the agencies. Other goals of the interviews were to identify those areas that deterred or hindered the Navy from actively seeking out, and aggressively pursuing "partnerships" with FPI. The benefits of possible partnership relations were also explored.

3. Survey Procedures

In August 1991, a questionnaire/survey was mailed to a random sample of DoN field contracting activities' contracting officers. Six weeks were allocated for completion and return of the surveys. One hundred fifty-eight activities were contacted, and 76 responded. Respondents were requested to be as candid as possible. Respondents were allowed to remain anonymous if they so desired, and most did. Eighteen questions were asked, the intent of which were to ascertain a

"snapshot" status of DoN-FPI relations, such as: the reasons for use or non-use of FPI; status of training of contracting personnel in dealing with FPI; benefits and drawbacks of dealing with FPI; comments about the effects of FPI on their local industrial bases; recommendations on improving relations with FPI; their dollar level of business with FPI each year; contractors' complaints about FPI; and any preconceived notions that they might have about FPI and its products. The questions were objective or subjective, or a combination of the two. The survey was sent to field contracting activities located in 28 states; respondents were from 21 different states. There are just over 1000 DoN field contracting activities. The 158 activities chosen to participate comprise over 10% of the total number of field contracting activities. The activities represented the entire range of contracting authority afforded them by the Naval Supply Systems Command - from $2,500 procurement authority to unlimited authority. Most of the participants had over $25,000 contracting authority. Of the 76 respondents, six were Naval Supply Centers, nine were Supervisors of Shipbuilding, Conversion, and Repair, nine were Naval or Marine Corps air stations, and fifteen were Naval or Marine Corps bases or stations.

4. Visits to Institutions and Trade Show

In September 1991, visits were made to the United States Penitentiary at Lompoc, CA, and the Federal

Correctional Institution at Pleasanton, CA. Three factories at both institutions were observed during these visits. The entire range of products produced by FPI were observed in the production process. Managers, supervisors, and inmate workers were interviewed. The general state of the facilities, work flow, raw materials, storage, and the attitudes of workers, supervisors, and managers were noted. Living and working conditions were observed. Personal opinions of those interviewed were noted. In August 1991, a FPI trade show in San Francisco, CA was observed, and FPI representatives were interviewed.

All of the above methods were integrated in order to present a clear picture to the DoN field contracting community of FPI's mission, the intent of the law, the status of FPI today, the relationship that DoN field contracting activities have with FPI, and how that relationship can be improved.

E. ORGANIZATION OF STUDY

The study was organized so that it could be presented in the following chapter and discussion format:

- Chapter I - Introduction and Research Methodology.
- Chapter II - Background issues, development of issues into the current circumstances, the history of FPI and its evolution, barriers to enlarging the commodity base, and organizational impediments to FPI's being as successful as possible in its

mission.

- Chapter III - Presentation of facts and findings discovered in the visits and interviews, observational procedures, and analysis of findings.
- Chapter IV - Presentation of findings from the survey, analysis and interpretation of data, consideration of the data in answering questions posed by the problems.
- Chapter V - Conclusions about the findings, impacts of FPI on private businesses, impact of FPI on the inmate workers, benefits derivable from participation with FPI, recommendations as to what actions to take that would help FPI and DoN to improve relations, answers to research questions, findings and recommendations of an independent market study by a research firm, and proposals for further research study.
- Appendices - A case study, list of activities that participated in the survey, list of interviewees.
- Selected References.
- Bibliography

F. FINDINGS

The following is a summary of the findings of the survey and research:

- Department of the Navy field contracting activities do not fully comply with the requirements of the Act;
- Field contracting activities rely on FPI mostly for furniture and don't take advantage of FPI's other lines such as electronics and ADP services to the extent possible;
- The most common complaint from DoN field contracting activities is FPI's long lead time for delivery;
- The quality of FPI products is generally satisfactory or better than average;
- Contracting officers and contracting personnel have less than adequate training in dealing with FPI;
- Field contracting activities don't feel that FPI adversely affects the industrial bases in their geographical areas;
- Most field contracting activities have not received protests or complaints from private contractors about FPI;
- Field contracting activities commit a significant level of Navy dollars in business with FPI;
- The customers of DoN field contracting activities have a negative perception about the quality of supplies and services from FPI;

- Field contracting activities do not have a negative perception about the quality of supplies and services from FPI.

G. RECOMMENDATIONS

There are many recommendations for improving the DoN-FPI relationship. Foremost among them:

- Greater interface should take place among officials at the Secretary of the Navy/Attorney General of the United States offices' levels to discuss the problems that currently exist;
- Federal Prison Industries should make a more publicized effort to visit with as many of the field contracting activities' contracting officers as humanly possible in order to remind them of FPI's numerous products and services;
- Federal Prison Industries should be more receptive to customer inquiries;
- Department of the Navy activities should make more of an effort to train their personnel formally in the methods of dealing with FPI.

II. BACKGROUND

A. REASONS FOR STUDYING THE FEDERAL PRISON INDUSTRIES

The problem of occupying the idle time of incarcerated criminals is an old one. To discourage inmates from pursuits such as escape, rioting, violence, etc., Governments determine viable alternatives for the occupation of inmates' time.

According to Scott Ticer in *Business Week*, the problem of how to deal with inmates is of particular importance today. The number of persons behind bars in the United States has doubled in the last decade. The U.S. spends twenty billion dollars per year (State and Federal spending combined) on corrections. Federal prison budgets have been growing by nearly twenty per cent per year in the 1980's. [Ref 1:pp. 80-81] The performance of all prison systems in this country has been heavily criticized. Jails are filthy, overcrowded, violent, and unproductive. By the year 2000, there will be four million citizens in this country in the charge of corrections officials, more than 25% of whom will actually be behind bars. The Federal Bureau of Prisons will alone hold 200,000. [Ref 2: p. 66].

Members of the contracting profession need to be aware of the problems driving the Federal Government's mandatory sourcing laws and regulations and the ways that they impact

the contracting community. The contracting profession demands continuous updates to the knowledge base, expertise, and education and refresher training of its members. It is vital for contracting professionals to learn all that they can about an apparently misunderstood economic resource - the Federal Prison Industries, Inc. How to use FPI and how to make FPI a more efficient enterprise are questions that merit addressing.

B. HISTORICAL PERSPECTIVE

In 1934, the United States Congress passed legislation establishing the Federal Prison Industries, Inc. (UNICOR), to "alleviate the appalling amount of idleness among the inmates of our prisons" [Ref 3: p. 4]. Federal Prison Industries was created with the mission of training and employing inmates. Its mission is not necessarily designed to accommodate business efficiency, competitive market prices, or timely delivery. Apart from its initial outlay to FPI of one million dollars in 1934, and a loan from the U.S. Treasury in 1989 for new factories and equipment, Congress does not appropriate funds for FPI's operation [Ref 3: p. 19]. FPI operates as a wholly-owned Federal Government corporation - remaining self-sufficient through its sales. Administratively, FPI's Chief Executive Officer reports to the Attorney General of the United States. In order to prevent private industry from feeling the effects of unfair competition from FPI in the

production of any one particular good or service, FPI is required to diversify its products [Ref 4].

According to Federal Acquisition Regulation Subpart 8.602(a), Federal Government agencies of the executive branch are to be the sole customers of FPI (unless FPI sells to a prime contractor who is performing a contract for the Federal Government), to purchase "...supplies of the classes listed in the Schedule of Products made in federal...institutions...at prices not to exceed current market prices...." Among the heaviest users of FPI are the Department of Defense, the Veterans' Administration, the General Services Administration, and the U.S. Postal Service. About 60 per cent of FPI's business is with the Department of Defense. [Ref 5: p. 6]

Federal Prison Industries has provided thousands of inmates with job skills, which can be used after the inmates are released from prison. Inmate earnings from FPI are used for repayment of fines, restitution, and family support, adding additional benefits to the criminal justice system and society as a whole [Ref 6: p. 2]. In effect, FPI pays for the vocational training of inmates.

C. INTENT OF THE PRISON MADE SUPPLIES ACT AND CRITICISMS

The Prison Made Supplies Act was enacted with the intention of occupying the time, energies, and talent of Federal prisoners; and to rehabilitate them by providing useful future job skills training. Many state Governments

have enacted similar legislation. Unfortunately, the socioeconomic objectives of Congress and the concerns of private business and industry often do not mix well. Critics of prison labor, such as organized labor unions and private industry leadership, oppose it because they believe "...[the] use of prison labor provides correctional industries an unfair advantage in the free world marketplace because of its access to a 'cheap' labor pool." [Ref 7: p. 1]

D. MARKET SHARE AND PRIVATE SECTOR CONSIDERATIONS

Because Congress and the Federal Government were responsive and sensitive to the fears and desires of American private industry, FPI was never intended, by law, to be a threat to any one industry. Federal Prison Industries is required to diversify its range of products extensively to prevent it from becoming a major competitor within any one industry. There are five divisions within FPI - Electronics, Plastics, and Optics; Textiles; Furniture; Metals; and Graphics/Services. The following commodities, from the list of FPI's Product Lines for 1991, are only a sampling of what FPI's 80 "factories" produce at over 45 locations throughout the United States:

ADP Services	Printing	Signs
Steel Storage Equipment	Food Service Equipment	Wiring
Bedding		Curtains
Draperies	Textiles	Clothing
Gloves	Brushes	Optics
Electronics	Brooms	Mattresses

Printed Circuit Boards	Electric Cable Bedspreads
Telephone Cable	Vehicle Repair
Office Furniture	Dorm Furniture

This corporation has over 13,000 employees, is required to produce a great range and depth of products, and is expected to do so with mostly untrained labor. The workers perform their functions in intentionally labor intensive environments, and also have to adhere to the cumbersome restrictions of the Federal Acquisition Regulation in buying raw materials. Federal Prison Industries can not fairly be considered a threat to other industries in the market place. Other considerations which contribute to FPI's inefficiency are: the responsibilities of FPI for the custodial care of inmates during their work day; the inherent time delays and disruptions to the work day associated with prison security (counts, searches, tool control, limited access, etc.); additional civilian staff needed for security and supervision of the work; and the poor work histories of the employees. Federal Prison Industries' means of producing is intentionally labor intensive so as to employ a greater number of inmates - its legislative mandate. [Ref 8]

The inmate population of the U.S. Bureau Of Prisons has doubled in the last decade [Ref 9: p. 4]. Nationwide, prisons are filled to overcrowding. Population increases in prisons are on a scale never before encountered in U.S. history [Ref 10: p. 18]. With such large increases to an already over-

burdened Federal prison system, it makes obvious sense to employ as many inmates as possible now, and have a plan for employing them in the future. About one third of all Federal prisoners are employed by FPI [Ref 10: p. 19]. The question of eligibility for FPI employment will be discussed in detail in Chapter III.

Federal Prison Industries' goal is to insure a sales level which employs 25-30% of the inmate population, but even so, its share of the Federal market will be small. Federal Prison Industries has assembled data that indicates it has only 0.16% of the total Federal market for goods and services. The Government is FPI's only customer; if the overall private sector market was included in the figures, the share would shrink to less than 1/100 of a per cent [Ref 7: p. 25]. According to the Federal Procurement Data Center (FPDC), the Federal Government bought over $195 billion worth of goods and services in 1988. Sales by FPI to the Government in that year were $336 million or one sixth of one per cent of total Federal Government purchases. In 1989, FPI's sales were approximately $360 million [Ref 11]. In 1990, they were about $340 million [Ref 3]. For both of those years, FPI's sales were very close to one sixth of one per cent of total Federal Government purchases. From another perspective, measuring FPI's market share as a per cent of only those product groups within which FPI manufactures, the corporation's share of this

segment of the total Federal market (which was $27.3 billion) in 1988 was only 1.2 per cent. [Ref 10: p. 24]

Federal Prison Industries is not a normal business and can not operate as one. It is a socioeconomic program. It has more inherently inefficient aspects than other businesses.

Federal Prison Industries' sales do not detract from the private sector. According to Lawrence Novicky, Senior Business Executive of the Business Development Group of FPI, 78 cents of every sales dollar goes back to the private sector as purchases of raw materials, equipment, supplies, services, etc. Twenty-one cents goes to civilian payroll and inmate wages, which also flow back largely to the private sector. One cent is income for FPI. [13]

E. WAIVERS AND PROBLEMS WITH MONITORING THE PROGRAM

Agencies are not absolutely required to buy from FPI. Federal Prison Industries' goods must be competitive as to quality, price, and delivery. The prices must be competitive with current market prices. If FPI can not be competitive, the requiring agency does not have to buy from FPI. The Federal Acquisition Regulation Subpart 8.604-8.606 states that clearance is required from FPI before products can be acquired from other sources. A lower price available from another source is normally not a good enough justification to obtain a waiver from FPI. The Washington headquarters office will be consulted when contracting officers believe that a lower price

is available somewhere else. Clearances are not required if FPI can not meet an emergency need, if used or excess supplies are available, if the products are acquired and used outside the U.S., or if orders are for listed items totaling $25.00 or less that require delivery within ten days. [Ref 4]

According to Robert Grieser in *Federal Probation*, FPI had 1400 waiver requests for about $50 million (in furniture and metal products) in 1989. Only eight were denied, for a total dollar value of about $30 thousand. Federal Prison Industries issues 2500 waivers annually for electronics products. Only a <u>few</u> Federal Government procurement offices even submit waiver requests. Tens of thousands of purchases are made without requesting FPI clearances [Ref 10]. This failure of contracting activities to obtain clearances appears to be a violation of Federal law. This situation raises additional questions: Does the Navy fail to request waivers? Is the Prison Made Supplies Act not enforceable? If so, are Federal Government agencies or the economy in general being hurt because of this? Should the Act be repealed? These questions will be addressed in Chapter V, or will be posed as potential further areas of research.

The Federal Prison Industries are <u>so</u> diverse - <u>hundreds</u> of different products, over 45 separate industrial locations. Some of the locations employ only a few inmates. Unlike efficient private sector firms, FPI can not seek as large as

possible of the market share with the fewest number of products nor can it employ a centralized, selected, well trained, motivated work force. It is legislatively mandated that FPI will not create undue competitive pressures on the private sector. FPI is, therefore, competitively burdened. It can not compete aggressively. It can not advertise its reputation to its customers adequately enough to market its wares. Larger firms such as General Dynamics, McDonnell-Douglas, Westinghouse, Raytheon, etc., in contrast, have little trouble advertising their corporate reputations.

F. PROBLEMS WITH THE PRISON MADE SUPPLIES ACT

The major problem that FPI has with Federal agencies is the lack of enforcement of the Prison Made Supplies Act. There is simply no mechanism in existence right now for the Department of Justice or the Bureau of Prisons to monitor the compliance of Federal agencies with the law [Ref 12: p. 20]. Perhaps there is a stigma attached to "Prison Made Supplies" that prevents or in some way curtails the pursuit of FPI as a supplier, and hence the law is violated.

G. PRELIMINARY DATA/GOVERNMENT BARRIERS TO THE USE OF FPI

A preliminary inquiry into the status of training of contracting personnel within DoN contracting offices was conducted in April 1991. Several contracting personnel and one NAVSUP official were contacted. When asked to describe their experiences with FPI (their own or those of the people

that they supervised), they made the following observations:

A buyer at a Naval Submarine Base:

> We seldom received the brochures from UNICOR in the mail. Often they weren't used or were discarded, or never made it to my shop. When we did get them, they were outdated. There was no formal training of 1102's [contract specialists] on the role of UNICOR. We barely had enough time to get our work done, much less worry about UNICOR. I do not think that my buyers even have the smallest idea of who or what UNICOR is and what it is supposed to do.

A buyer at a Naval Supply Center:

> UNICOR was called regularly by our buyers. However, for the commodities that we solicited business for, namely habitability items...for ships, they weren't able to meet delivery times on several occasions....That was a recurring problem. There were many occasions when we obtained waivers....There were also many occasions where UNICOR met its delivery times satisfactorily for other purchase orders.

A contracting officer at Naval Air Station Memphis, Tennessee, commented that curtains ordered from UNICOR were "...a year late, of lousy quality, and more expensive than the competitors'." Another comment was, "The buyers are used to not calling FPI/UNICOR. It has always been that way...." The NAVSUP official stated that, according to reports from field activities, FPI had great difficulty meeting delivery times, purchasing activities had complaints about quality, and

waivers were more and more difficult to get - which made the whole process of buying from FPI difficult and frustrating.

FPI must use the same cumbersome Federal Acquisition Regulation for purchasing its raw materials as do other Federal agencies, which might help to explain some of the long lead times activities often claim to experience when procuring from FPI. High inmate worker turnover is an inherent problem in all but the most long-term sentence institutions. As stated earlier, FPI's overhead costs are increased by prison tool control procedures, searches of inmates, and pre-industrial inmate training for required skill and educational levels.

Despite the possible justifications for FPI's inadequacies, the previously described revelations also suggest problems in our contracting activities: Non-awareness of FPI's capabilities by contracting personnel in the DoN; misunderstandings of FPI's performance; lack of education of contracting personnel; and institutional prejudices. There has also been an apparent lack of good feedback to the proper FPI authorities when unsatisfactory performance was encountered.

As said before, waivers are not being sought from FPI, as required by law. This means that FPI is not being used, or not to the proper extent. When a mandatory source is cut out of the process, either intentionally or indirectly, the source

will obviously have trouble surviving without attention from higher authority. Contracting personnel are effectively hurting the intent of the process and are breaking the law.

Federal Prison Industries itself is not without blame, either. It is not adequately marketing itself to federal agencies, at least not the ones that have been contacted. Poor prices, poor workmanship, or poor delivery times can not be accepted by contracting activities. Federal Prison Industries' leadership must be informed of its shortcomings by the customers, when appropriate.

H. THE INDEPENDENT MARKET STUDY OF DELOITTE AND TOUCHE

The research firm Deloitte and Touche, 1900 M Street NW, Washington, D.C., conducted a market study of FPI in 1990-1991. The objectives of the study were to identify new opportunities for FPI to meet its growth requirements, assess FPI's impact on private sector businesses and labor, and evaluate the need for changes to FPI's laws and mandates. The findings, recommendations, and conclusions of the market study are relevant to this research. It is also important to recognize here that the U.S. Congress and the Department of Justice found it necessary to study FPI's status as a socioeconomic program and its progress as a market entity. The findings of the study were briefed to the U.S. Congress in August 1991. [Ref 13]. They are partially summarized in the following paragraphs.

Representatives of the firm met with trade associations, labor unions, and congressional staffs. Interviews were held with over 100 private sector businesses and over 350 Federal Government departments and agencies. Site visits were made to FPI's corporate offices and factories.

1. Findings of the Market Study

The following are some of the findings from the meetings, interviews, and visits, summarized from Deloitte and Touche's final report to FPI and the Congress: [Ref 13]

a. Federal Prison Industries received above average quality ratings from its customers for its products which are built to customer specifications, such as electronics assemblies for military equipment.

b. Lower ratings were received, relative to private industry sources, for products where specifications are based on industry standards.

c. Prices are comparable to those found in the private sector; however FPI's customers would prefer to have a greater ability to independently evaluate FPI's specifications, prices, and production costs.

d. Federal agencies generally rated FPI lower for delivery and customer service, especially for furniture, textiles, and clothing. The exception to this is electronics, which was rated about the same as private sources. The

ratings do not appear to have anything to do with the fact that FPI employs inmates.

e. Graphics and Services prices were lower than alternative sources, Clothing and Textiles and Furniture prices were higher than alternative sources, and Electronics and Metal products' prices were rated about the same as alternative sources.

f. The quality of Electronics and Metal products were rated as higher than alternative sources,' the quality of Furniture was rated generally lower, and the quality of Clothing, Textiles, and Graphics and Services were rated about the same as for alternative sources. Overall, FPI appears to be comparable to alternative sources as far as quality is concerned.

g. Seventy per cent of the survey respondents indicated that the mandatory preference was the primary reason that they utilized FPI for its products.

h. The variety of products in FPI's product line hampers FPI's efforts to maintain product quality and customer service.

i. Users of products that are unique to Federal Government use and are built to detailed design specifications indicated strong satisfaction with FPI's performance. [Ref 13: pages 37-44]

2. Recommendations of the Market Study

Following are a few of the many recommendations that Deloitte and Touche made with regard to FPI's future as an industry. [Ref 13: pages 67-95] These recommendations are considered to be particularly relevant to this research:

a. Federal Prison Industries should continue to produce "traditional" products, such as furniture, clothing, textiles, electronic cable, and wire assemblies, and should maintain its mandatory status in these lines. FPI should concentrate on a small number of product lines, and sell largely to the Bureau of Prisons.

b. Federal Prison Industries should subcontract to U.S. businesses which provide products to the Federal Government. For instance, FPI should move into markets that are not served by domestic U.S. businesses. Federal Prison Industries should form partnerships with U.S. firms to produce items that would otherwise be purchased from non-U.S. sources for the non-Government market.

c. Federal Prison Industries should increase its sales of services to the Government, such as printing, data entry, vehicle repair, and equipment repair services. FPI can do this without large capital investments, and can employ more inmates in these labor-intensive service industries. [Ref 13: pages 67-95]

I. SUMMARY

Contracting personnel must strive to understand the reasons why FPI exists, the benefits that FPI brings to society in the form of increased inmate control, and the problems that contracting activities experience with FPI. An understanding, however slight, of FPI's shortcomings and the reasons for those shortcomings, is necessary before contracting personnel can begin to formulate strategies on how to better deal with FPI. This understanding can also assist contracting personnel in identifying their own shortcomings. The findings and recommendations of an independent research firm, introduced here as part of the literature used for research, will show in later Chapters to be similar in many respects to those of this research. Once contracting personnel have identified areas to improve, the DoN-FPI relationship can be enhanced. Chapter III will help to indentify FPI's strengths and weaknesses from an on-site perspective.

III. DATA FROM VISITS TO CORRECTIONAL INSTITUTIONS AND INTERVIEWS

A. FEDERAL PRISON INDUSTRIES INC., TRADE SHOW

The Federal Prison Industries, Inc., conducted a trade show on 22 August 1991 at the Herbst Pavilion at Fort Mason Center, San Francisco, CA. Several FPI personnel were interviewed at this trade show.

An Industrial Specialist of the Electronics Division of FPI discussed pricing procedures and information for products of his division: A team of non-inmate engineers typically will receive drawings and use them to price out a bill of materials. Direct labor and indirect labor percentages are added in, as is profit (18.3% as of August 1991). A material adjustment charge of five per cent is added. Generally, the constructors of the price quote then call three vendors, and are usually able to set their price equal to or almost equal to the lowest of the prices quoted by the three vendors. According to Mr. Mark Turner, Industrial Specialist of the Cost and Scheduling Department of the Electronics Division, 85% of what the Electronics Division bids on is awarded to them.

Mr. Terrence Gray, Marketing Consultant for FPI's Western Marketing Center, stated that one of the reasons that FPI has such long lead times is that raw materials can not be held in

inventory in sufficient amounts to build furniture rapidly. Materials must be ordered upon receipt of an order for the item from a customer. Federal Prison Industries must purchase materials using the Federal Acquisition Regulation, which slows down the procurement process for them and for their end user customers. Federal Prison Industries does not have the cash flow to tie up money in inventory. Federal Prison Industries' mandate calls for it to only make enough of a profit to enable it to cover expenses and allow for a small amount of growth. It does not allow for accrual of retained earnings to use for investment in fast moving merchandise or large amounts of innovative capital equipment. Most orders to FPI are mailed, not sent via the preferred facsimile method. Mailing the orders only adds time to the process, and ordering activities take the risk of the mail getting lost or misplaced. Since many low-skill level inmates are used to handle much of the administrative processing of orders, time delays can be experienced at these stages of the process. Shipping and packaging time must be added to the processing time of an order. Geographical location does not have a bearing on an item's production or shipment location, because job orders are sent to the factories that have the least amount of backlog, regardless of their location. When prisons experience riots, fires, etc., and facilities are burned down or damaged, such as in Talladega, Miami, and Atlanta recently,

the repairs to factory facilities must be taken out of FPI's "hide." By Federal statute, FPI can not be in a financial loss posture at the end of a financial year. FPI is also uninsured with respect to property damage, product liability, and other customary business loss exposures. Losses incurred are absorbed as current operating expenses. Other drains on cash are the vital vocational training programs. Unlike other companies who can depend on market factors in order to obtain reasonably competitive workers at competitive wages, FPI must train its workers literally "from the ground up." The inmate workers are generally quite unsophisticated in experience, background, ability and temperment.

B. OBSERVATIONS AT THE UNITED STATES PENITENTIARY, LOMPOC, CA

1. General Findings

The U.S. Penitentiary at Lompoc, CA was visited on 13 September 1991. It is a maximum security Federal prison. The average sentence that inmates serve is more than 20 years, therefore employees of the three factories there are employed for relatively long periods. Inmates are perceived by the staff members to be motivated to learn a useful skill thoroughly, since they will be in the institution for such long periods. Inmates are also encouraged to rotate among jobs within the various factories. The factories at USP Lompoc are Printing, Signs, and Electronics.

According to Associate Warden Harry Johnson and Assistant

Superintendent for Industries Rick Troxell, before the 1970's, FPI's management preferred a philosophy that focused on keeping inmates busy, with not as much concern for quality of products, competitive prices, or timely delivery. In the 1970's and 1980's, the Federal Prison System in the United States "boomed," as did state and local prison systems. More harsh criminal punishments and enhanced enforcement of laws, particularly of drug laws, contributed to this increase in inmate populations. For American society as a whole, prisons have not kept up with the demand for increased, lengthened incarcerations of criminals. The number of prisoners in Federal prisons doubled during the 1980's to over 60,000. The number is expected to at least double again in the 1990's. [Ref 2] The prison boom of the 1970's-1980's has forced society and the Bureau of Prisons in particular to reconsider the mission of FPI. With so many employees to keep busy, and with dwindling resources with which to handle the problem, programs such as FPI must serve more than one purpose in order to gain as much economy as possible. The focus of FPI now is to concentrate on quality products, competitive prices, and timely delivery. FPI has a responsibility not only to prisoners but also to its Federal Government agency customers.

2. Inmate Compensation Information

According to information provided by Mr. Rick Troxell of USP Lompoc, the compensation for specific paygrade levels

throughout FPI, is as follows (as of 1 October 1990):

Grade	Hourly Stipend
1	$1.15
2	.92
3	.69
4	.46
5	.23

Grade one is the highest level, requiring a high school or equivalent diploma, and is the highest technical competency level. As a comparison, the minimum requirement for entering at grade five is a sixth grade education. There are longevity increases of pay also:

Months of Service	Increase per hour
18	$ 0.10
30	.15
42	.20
60	.25
84	.30

For exceptional workers, a premium of $0.20 is authorized. It takes a minimum of 30-90 days to increase from one pay level to the next. When applicable, the wages are taxed. One of the interesting aspects of the wage compensation issue is that for every dollar an inmate sends home to his family, perhaps a potential welfare dollar expense by the Government is avoided.

3. Waiting Lists

There is an 18 month waiting list at this USP for FPI jobs. As of 13 September 1991, there were 314 inmates (out of a prison population of over 1800) who were waiting for an

opening in an FPI factory. About 300 inmates are employed in FPI jobs there. Any inmate is eligible to be placed on the waiting list, except those inmates serving in solitary confinement who can not move freely about the authorized prison grounds.

4. Security Considerations

The higher security level at USP Lompoc is necessary due to the unsophisticated inmates and the violent nature of the crimes they committed. Unfortunately, this condition makes it more difficult for supervisors to guard against tool or sharp object theft. These inmates require more watching and care, generally, than do the inmates at a Federal Correctional Institution or Work Camp, which have lesser security requirements. In the Electronics factory, where inmates cut and shape metal for electrical boxes, panels, etc., inmates are locked in a caged work area and are required to pass through a metal detector when entering or exiting. Random searches of the work areas and the inmates are conducted frequently. Tools are required to be checked in and out several times per day. Possession of contraband results in immediate release from FPI employment and disciplinary action. All of the security procedures necessarily used up a lot of valuable time, and can be considered quite costly in monetary terms.

5. Quality Assurance

Each factory operation has its own Quality Assurance organization. For instance, the sign factory has eight QA inmates who were trained and supervised by one supervisor. The signs were produced in an extraordinarily professional fashion, with great care, and were of superior quality. Inmates even had computer assisted graphics services available to help them to make accurate templates that they were to use for making signs. The electronics factory was the most impressive facility. The inmates produced cable assemblies, extension cords, trouble lights, harnesses, electrical cable, telephone cable, printed circuit boards, panels, junction boxes, and repair/refurbishment services. The shop floor was huge, well organized, having as sophisticated gear and housekeeping practices as do some Silicon Valley electronics-related firms, by comparison (in the opinion of the researcher). The print shop turns out millions of booklets, pages, sheets, and documents monthly. The print shop was well-organized and efficient, and the quality of the products appeared to be superior.

Throughout the three factories, supervisors went to great pains to emphasize that they could meet the required delivery time frames of any requiring agency. Signs on the shop walls revealed the exhortations of Dr. W. Edwards Deming and the tenets of Total Quality Management. The entire staff,

including the inmates, was professional, knowledgable, courteous, motivated, and helpful.

C. OBSERVATIONS AT THE FEDERAL CORRECTIONAL INSTITUTION, PLEASANTON, CA

The Federal Correctional Institution at Pleasanton, CA houses female inmates only. There are three FPI factories at the facility - Automated Data Processing, Furniture, and Draperies. According to factory managers Ms Pamela Mckee and Mr. Ernie Valencia, the women have been found to be more exacting in their work, pay more attention to detail, and are more proprietary and serious about their jobs than were the male inmates who used to work there. The opinion of the factory managers was that the women are more willing to learn. It was interesting to observe women running the furniture production operation since it required a great deal of heavy work, lifting, and heavy equipment operation - yet the women were producing superior quality products. These skills are, in fact, not traditional for women to learn in American society, yet these inmates appear to have mastered them. The fact that this facility's factories are run entirely by women and all of the labor is performed by women is somewhat of a success story in itself. The Quality Assurance branch of the furniture factory turns back only two per cent of the final products for minor rework. Each and every piece of furniture (desks, tables, chairs, couches, etc.) is checked for defects

at each stage of the production process, as well as when it is delivered to QA as a final product.

As of 20 September 1991, there were 880 inmates at FCI Pleasanton. Half of that number are employed with FPI factories. The waiting list is about 250 for FPI job openings. Even though employment with FPI is not mandatory, it is highly desired and sought after by the inmates.

As is the case with other FPI factories, these are not allowed to hold stocks of raw materials on hand. The only inventory of raw materials allowed is that which is already earmarked for a contract, because materials are ordered upon receipt of order. Obvious time delays in delivery result from this requirement.

The Drapery factory is one of only two in the Bureau of Prisons. Inmates receive "pre-industrial training" from professional tailors during their first 90 days on the job. An evaluation and decision as to the inmate's ability and potential follow this 90 day period. According to Ms Pamela Mckee, the skills learned here can be particularly useful and sought after upon release from prison. Inmates at this factory learn to make curtains, reupholster furniture, and make bedding.

The Automated Data Processing factory conducts similar entry training for the inmates employed there. The services available from this factory are remarkable due to their low

cost, very low error rates, and ease of availability. Inmates perform all types of data entry functions, from transcription of naval ships' health records to magnetic tape, to label addressing, flight time record maintenance, and payrolls. The factory manager explained that private industry can simply not compete with this factory's price of $0.18 per record, and the three to four day turn around of projects on average. Federal Correctional Institution Pleasanton currently has a highly visible, time-pressurized contract with International Computers Corporation, Inc., which has a prime contract with the U.S. Patent Office. International Computers Corporation, Inc., prints patent information each Tuesday morning for the Federal Government, and depends on FPI to produce over four million keystrokes of updated patent information per week. The ADP factory operates from 0730-2330 weekdays, but its manager stated that, with shift work, the inmates are capable of and are willing to operate around the clock. Federal Correctional Institution Pleasanton has contracted with the Oakland Naval Hospital and for aircraft carriers in the San Francisco bay area, transcribing health records from hard copy to tape.

Most of the inmates at this institution did not have jobs before coming to prison. Consequently, education and training are highly encouraged by the staff. Counseling in pride, responsibility, and even such things as bio-feedback and

parenting are strongly endorsed as positive tools to help improve the workplace.

D. INTERVIEW WITH THE U.S. ARMY COMMUNICATIONS AND ELECTRONICS COMMAND

An example of a "Just in Time" partnership between FPI and a Federal Government agency that is apparently showing benefits to both organizations exists between an FPI Electronics factory in Lexington, KY and the U.S. Army Communications and Electronics Command at Fort Monmouth, N.J. According to Ms Yvette Plummer, Contracting Specialist at Fort Monmouth, the U.S. Army used to spend a lot of money buying telephone cable from private contractors and storing it at three army depots in the U.S. In June 1991, the U.S. Army awarded a contract to FPI which requires FPI to produce a set amount of telephone cable each month and ship it directly to the end using activities. This arrangement effectively eliminates the need for storage of these items at the depots, and also eliminates the need for second destination costs. In addition, this arrangement is serving as a demonstration of how continuous improvement practices are being used in the Department of Defense. The cable is shipped directly from the producer to the customer, the inspection having been done during the production process at the factory. An explicit Memorandum of Understanding spells out the requirements for each "partner." According to Ms Plummer, the program has been

quite successful so far, and has saved the U.S Army a lot of money.

E. SUMMARY

The visits to the institutions and the discussions with FPI personnel at the Trade Show revealed basic information which shed light on how FPI conducts its operations. A sense of the firm's purpose was gained, as was a realization of the operating restrictions under which the firm produces its goods and services. Federal Prison Industries' "customers" are its inmate workers and American society as well as the Federal agencies it supplies. The inmates directly benefit from the quality of services that FPI provides in the form of training and self-improvement. Society in general benefits indirectly from the help that the inmates receive. The relationship between FPI's Lexington, KY factory and the U.S. Army shows that the Navy, too, could benefit from partnership relations with FPI.

IV. RESULTS OF SURVEY SENT TO FIELD CONTRACTING ACTIVITIES

A. EXPLANATION OF SURVEY

The survey was sent to 158 Department of the Navy (USN, USMC) field contracting activities, all of whom have been granted their contracting authority by the Naval Supply Systems Command. The 158 were chosen at random from the over 1000 activities listed in the two Procurement Management Review listings supplied by the PMR offices at Naval Regional Contracting Centers Philadelphia, PA and San Diego, CA. The 158 activities represent a wide range of contracting authority levels - from $2500 authority to unlimited. Names of the respondents were not solicited on the survey. Candor was encouraged.

The surveys were mailed on 8 August 1991. The original cut-off date for receipt of all returned surveys was 15 September 1991. The last completed survey was returned on 29 September 1991. Seventy-six activities returned the survey - a 48% return rate. Not all of the respondents answered all of the questions. The number of respondents per question is noted, where applicable, with the analysis of each individual question. The names of the respondent commands are noted in Appendix B. The survey consisted of 18 questions and was addressed to "Contracting Officers" of those activities

selected to participate.

Questions as they appeared on the survey are presented followed by consolidated responses to each question. A discussion and analysis of the answers to each question is included after the responses.

The following is a brief explanation of the types of products which come under the categories named in several of the survey questions: Wood - furniture; Metal - modular furniture, metal beds, lockers, cabinets; Textiles - clothing, mattresses, curtains, draperies, canvas goods; Leather - gloves, leather apparel; Data and Graphics - data encoding, printing, signs; Electronics - printed circuits, electrical cable assemblies, electronic wiring harnesses; Plastics - fiber glass, Kevlar helmets, thermoplastics; Optics - eyewear. (Note: The trade name UNICOR was used in the survey, with the expectation that it was easier for contracting personnel to recognize than FPI).

B. SYNOPSIS OF QUESTIONS, ANSWERS, DISCUSSIONS, AND ANALYSES

1. Question One

Do your buyers regularly check with UNICOR for availability of products/services? Yes or No?

a. Discussion

Seventy (70) activities answered this question. Fifty-four (77%) said Yes. Sixteen (23%) said No.

b. Analysis

Most activities claim to check with UNICOR regularly, as they are required to by law. However, a significant number, nearly a quarter of the answering activities, do not. This represents a potentially serious problem. Perhaps these activities do not realize that they are required to solicit UNICOR first. Perhaps they intentionally do not.

2. Question Two

If your answer to (1) was Yes, which commodities do you most often attempt to do business with UNICOR for? Please assign a number from 1 to 8 in order of priority that you use:

_____Metal _____Wood Products _____Textiles _____Leather Goods _____Data and Graphics _____Electronics _____Plastics _____Optics

a. Discussion

It was assumed that buyers/contract specialists would be knowledgable enough about UNICOR's product lines and catalogs to be able to assign individual product items to the above categories. Respondents then assigned numbers to categories which reflected their priority of use at the individual activity, the number "1" being the highest and the number "8" being the lowest. The results are as follows:

	R	Mean	P
Metal Products	44	2.25	2
Wood Products	47	1.72	1
Textiles	32	3.21	3
Leather Products	28	5.57	7

Data and Graphics	27	4.85	6
Electronics	24	5.79	8
Plastics	28	4.71	4
Optics	32	4.78	5

Legend
R = Number of respondents that assigned a value to the commodity.
Mean = average of the numerical values assigned to each commodity.
P = Priority ranking of commodity use by mean.

b. Analysis

It appears that the commodities which DoN field contracting activities purchase most frequently, in priority order, are:

1) Wood Products (furniture)

2) Metal Products (shelves, etc.)

3) Textiles (clothing, gloves, mattresses, curtains)

4) Plastics (fiberglass, Kevlar)

5) Optics (glasses)

6) Data and Graphics (data-encoding services, signs)

7) Leather Products

8) Electronics (cable assemblies, printed circuits)

Plastics, Optics, and Data and Graphics means' were very close to each other. Electronics and Leather also had very close means. Wood and Metal products are the most frequently sought items; Leather products and Electronics products are least sought.

3. Question Three

Please put a check mark next to those commodities that you would never have occasion to procure:

_____Metal Products _____Wood Products _____Textiles
_____Leather Products _____Data and Graphics
_____Electronics
_____Plastics _____Optics

a. Discussion

This question was asked to ascertain bias of any kind against UNICOR by buying activities, and possible insights into what DoN field contracting activities would never find necessary to buy from UNICOR. More than one commodity could have been checked by each respondent.

	R	Per Cent
Metal Products	4	5%
Wood Products	4	5
Textiles	19	25
Leather Products	21	27
Data and Graphics	20	26
Electronics	19	25
Plastics	8	10
Optics	21	27

Legend
R = Number of Respondents
Per Cent = Number of Respondents that chose that commodity divided by the total number of respondents (76).

The greatest percentage (27%) of the respondents indicated that they would never have occasion to procure Optics and Leather products. Twenty-six per cent said Data and Graphics, 25% said Electronics, 25% said Textiles. Only a small percentage of the respondents indicated that they would never procure Metals, Woods, and Plastics. The results for Textiles

were inconsistent with the findings from Question Two. A possible reason for this might be that those activities that never or hardly ever used UNICOR may have checked textiles off more frequently for this question. Textiles aside, the data in Question Three is consistent with the data in Question Two.

b. Analysis

DoN activities will readily procure Woods, Metals, and Plastics. Only a small percentage would not. But practically equal percentages of respondents said that they would never procure Electronics, Textiles, Data and Graphics, Optics, and Leather. This may mean one of the following: (1) the activities are dissatisfied with UNICOR's performance with those commodities, (2) they do not know that UNICOR has a capability in those areas, (3) UNICOR can not compete with the prices that other vendors quote, or (4) the activities simply have no need for the products. This is significant because the percentages are so close, also because they are large (over 20%).

4. Question Four

If you don't award contracts to UNICOR, what are the reasons why you don't? Please check any that apply:

_____UNICOR's quality is poor.
_____Prices are too high, not competitive, or unreasonable.
_____Lead times/delivery times are poor or unreasonable.
_____UNICOR is not responsive to my urgency.
_____UNICOR is too difficult to contact.
_____UNICOR's agents are difficult to deal with/not responsive.

_____UNICOR simply doesn't offer the products we're interested in.
_____Other_____.

a. Discussion

Fifty-six activities answered this question. It is assumed that these activities interpreted the question as "When I don't buy from UNICOR, it is because..." An activity may have annotated more than one reason for not awarding contracts to UNICOR. The data are as follows:

	R	Per Cent
Quality is poor.....	7	12%
Prices are high, ...	18	32
Lead times/delivery times are poor....	40	71
UNICOR is not responsive.....	23	41
UNICOR is difficult to contact.....	3	5
UNICOR's agents are difficult.....	4	7
UNICOR doesn't offer products.....	19	33

Legend

R = Number of respondents to each answer.
Per Cent = Percentage of total activities that answered the question (56).

The following condensed responses came under the "Other" heading:

1) We have no need to seek their products.
2) Our buyers are negligent (It is assumed that the respondent feels that his/her buyers are not soliciting mandatory sources first).
3) Lack of knowledge of UNICOR's product line. (One activity stated that it does not use UNICOR, but would

use UNICOR if UNICOR supplied metal shelving, a product that UNICOR does produce).

4) UNICOR has a limited selection.

5) UNICOR claims that it never received our purchase orders.

6) UNICOR is not customer-service oriented.

b. Analysis

The majority of the activities that responded to this question claimed that lead times/delivery times are poor or unreasonable. A significant number of activities also feel that UNICOR is not responsive, and that UNICOR does not offer products that they need, and prices are too high. Only small percentages of activities said that quality was poor, they were difficult to contact, or that agents were difficult.

5. Question Five

If you have awarded contracts to UNICOR, would you say that the end-using activity was generally satisfied with the supplies or services to the best of your knowledge? Yes or No? If No, why?

a. Discussion

Sixty-one (61) activities answered this question. Fifty-one (83%) said Yes, Ten (17%) said No.

b. Analysis

The overwhelming majority (83%) agreed that end using activities were generally satisfied with UNICOR's supplies and services. Of the activities that were not

satisfied, their [condensed] reasons were:

1) Poor quality.

2) Long lead time.

3) Materials were damaged in transit.

6. Question Six

Would you say that your training program for contracting personnel includes adequate, updated information from UNICOR so that your buyers know what to solicit from UNICOR (e.g. are you on their mailing list)? Yes or No?

a. Discussion

Sixty-three (63) activities answered this question. Forty-nine (77%) said Yes. Fourteen (22%) said No.

b. Analysis

The majority say that their training programs include updated, adequate information from UNICOR. Since 22% said No, either UNICOR or DoN need to do more advertising, or perhaps the field contracting activities are not making enough of an effort to obtain the information, or the information is being discarded.

7. Question Seven

Would you say that UNICOR makes a reasonable effort to send you their updated schedule of products and services, marketing or sales updates, and other useful information about them that you would need in order to do business with them? Yes or No?

a. Discussion

Sixty-one activities answered this question. Forty-seven (77%) said Yes. Fourteen (23%) said No.

b. Analysis

The majority said that UNICOR sends the information. However, a significant proportion (23%) said No. It appears that UNICOR needs to make more of an effort at advertising to U.S. Navy contracting activities.

8. Question Eight

If the answer to (7) was No, what would you recommend that UNICOR do to get you more information about their capabilities, products, services, etc., that would be helpful for you to know?

a. Discussion

Fifteen activities provided recommendations, which have been condensed:

1) Send a capabilities briefing to each significant purchase activity and get on the formal Master Bidders' List.
2) Send out a monthly or quarterly "mailgram" to activities to keep UNICOR in the "public eye."
3) Send out updated catalogs more frequently.
4) We've asked, but haven't received the catalogs that we requested.
5) Develop a relational data base of all customers and automatically send out updates and changes.
6) Hold meetings periodically, or have visits by marketing representatives to "buyers'

conferences."

7) Let us know how we can get on the [mailing] list and stay on it.

b. Analysis

The most frequently occurring recommendations are those which refer to field contracting activities requiring more printed information from UNICOR and needing access to marketing personnel on a more frequent basis. Since 23% of the respondents answered "No" to the previous question, UNICOR should heed these recommendations.

9. Question Nine

What recommendations would you make to UNICOR's headquarters to make their company more useful/valuable to you as a contracting officer?

a. Discussion

There were fifty-six responses to this question. The majority of the total respondents took the time to write out responses. The most frequently occurring recommendations will appear first, with the number of activities that made an identical or similar recommendation annotated after the recommendation:

1) Improve delivery times [22].

2) Increase publication of catalogs, capabilities, literature that increases the company's visibility [6].

3) Increase number of visits to customers by

marketing personnel [3].

4) Make products more attractive to end users, not contracting personnel, through more advertising [3].

5) Improve access to and responsiveness of customer service personnel-giving price quotes, fielding questions, etc. [3].

6) We need central points of contact [3].

The following recommendations appeared once each:

7) UNICOR needs to be able to track purchase orders more efficiently.

8) Establish a 24 hour 1-800 hotline telephone number for questions or expediting problems.

9) Improve the opportunity for customer feedback to UNICOR.

10) Develop one system for ordering systems furniture - things keep changing.

11) Make on-site design service more palatable - we were quoted $2500 and it ended up costing $7000.

12) Include installation services.

13) Department of Justice should inform the Secretary of the Navy that instead of bypassing a mandatory source such as UNICOR, the Navy should be forced to comply with

regulations.

14) Lower the prices.

15) Improve QA efforts. Some items are received damaged.

16) Have items available off the shelf.

17) Spread philosophy of Total Quality Management to your lowest level employee.

18) Widen the range of products offered.

b. Analysis

More than 50% of the respondents recommended that UNICOR: (1) Improve its delivery times, (2) increase the dissemination of marketing/advertising literature to contracting personnel and end users, (3) increase the number of visits made by marketing personnel to the field contracting activities and end users, and (4) improve its customer service functions. Overall, these responses indicate that the respondents wish to see more of an effort by UNICOR to push its efforts in the "customer service" area. This type of effort, it appears, would markedly improve UNICOR's value (real or perceived) to the respondents.

10. Question Ten

If you regularly use UNICOR, do you have any reason to believe that your use of UNICOR causes any detrimental side effects to the industrial base in your geographical area, especially small businesses? Yes or No? If Yes, please describe.

a. Discussion

Fifty-five activities answered. Seven (12%) said Yes. Forty-eight (88%) said No. The overwhelming majority of the respondents felt that their use of UNICOR did not cause detrimental side effects to the industrial bases in their geographical areas. Following are the descriptions of the side effects from the 12% of those activities that said Yes:

1) NAVSUPINST 4200.85 lists UNICOR as the third mandatory source of supply after regular NSN materials and excess personal property from other agencies. We are not allowed to solicit from any small businesses until an approved waiver is received from UNICOR.
2) Mandatory usage of UNICOR prohibits us from contacting small business concerns and receiving better prices and faster service. We also can rectify discrepancies locally.
3) Not being able to put dollars into the local small business economy.
4) Unfair competition - FPI has the monopoly on the indicated items.
5) Quantities aren't large enough to make a significant difference.
6) Indirectly, by taking business away from

small businesses.

b. Analysis

The percentage that said No (12%) was small, however they raised some relevant concerns. Examples of the concerns were (1) the inability of field contracting activities to rectify discrepancies locally when UNICOR is used, and (2) the loss of dollars to the local small business economies. The concern about rectifying discrepancies locally is understandable. Obviously, if a UNICOR factory in another state performs work on a contract, the ability of the contracting activity to monitor the contract for compliance with the terms is harder than it would be if the contracting activity was dealing with a local small business. The loss of dollars to local small businesses when UNICOR is awarded a contract is a given occurrence; however the lack of more than one similar response to this question precludes it from being considered a significant detrimental side effect of using UNICOR.

11. Question Eleven

Have you ever had any complaints or protests from contractors because UNICOR was awarded a contract? Yes or No? If Yes, please provide specifics.

a. Discussion

Sixty activities answered. Eleven (18%) said Yes. Forty-nine (82%) said No. The overwhelming majority of respondents said that they had not received complaints or

protests from other contractors because FPI was awarded a contract. Of those that said Yes, their specific statements were consolidated:

1) Numerous times! The small businesses can often offer exact or similar products at drastically lower prices than UNICOR's. They, like me, don't understand the reason that we contract with FPI during these times. Do we: a) rehabilitate the prisoners or b) make UNICOR money?
2) Contractors who furnish various types of furniture are often upset when they aren't even considered because UNICOR can provide material that will meet minimum Government requirements.
3) There were some complaints on systems furniture but these were complaints from large companies and not formal protests.
4) American of Martinsville felt that their furniture was better because of the past reputation of UNICOR derived from past customer complaints about UNICOR.
5) In the past we had not been enforcing the regulations, so several representatives for GSA furniture firms had developed quite a

market at our base. When we began to insist that UNICOR have the first opportunity to provide computer workstations, I received many complaints from these furniture representatives who felt that UNICOR was taking their business away from them.

b. Analysis

The small size of affirmative responses (18%) reflected complaints or dissatisfaction by rival producers, not actual formal protests. No information on whether or not these were formal protests to the contracting officers or the General Accounting Office are evident from the wording of the responses. Consequently, these complaints can probably be considered as a natural by-product of doing business with a mandatory Government source. The lack of formal protests indicates that local businesses do not feel strongly enough about their complaints to bring them to the attention of the contracting officer or the GAO. It also could indicate a feeling of helplessness of the contractors' - since FPI is a mandatory source, it may seem pointless to the contractors to protest or complain too vigorously for fear it would not do any good. In the first response, there was a definite note of dissatisfaction with the entire purpose of the UNICOR program.

12. Question Twelve

What do you think would be the benefits for your contracting activity of contracting with UNICOR?

a. Discussion

There were fifty-seven responses to this question. Some were duplicates of others. The responses were modified and condensed in order to combine similar responses. They are listed in order of frequency, with the number of similar responses annotated:

1) The ease of placing orders versus competitive, more formal methods of procurement [14].
2) Better quality [10].
3) Prices are lower, fair, and reasonable [9].
4) There are no benefits [7].
5) We are satisfying mandatory regulations [5].
6) Time saved in research, less paperwork [5].
7) Utilizing Government business, keep dollars within the Government, return dollars to the taxpayers in the form of savings [3].
8) Larger dollar buys, unlimited dollar buys [3].
9) Reduced Procurement Administrative Lead Time (PALT) [2].
10) Better customer service. It has improved

recently [2].

11) Broad range of products and services [1]

12) Responsiveness [1].

b. Analysis

Forty-two per cent of the contracting activities appear to favor the ability to place orders without competition, the ability to reduce Procurement Administrative Lead Time (PALT), the ability to cut down on paperwork, and the ability to buy in larger dollar volumes. A significant percentage of activities (33%) also showed enough confidence in UNICOR's quality and prices to perceive them as benefits of dealing with UNICOR. There were no responses which indicated that contracting activities were helping a socioeconomic program. Twenty-one per cent indicated that they saw no benefits or were merely fulfilling mandatory requirements.

13. Question Thirteen

What are the drawbacks for your contracting activity of dealing with UNICOR (whether or not you currently deal with them)?

a. Discussion

There were 57 responses. Many were duplicates of others. Some respondents gave more than one reason. They were condensed in order to combine similar responses. They are listed in order of frequency of occurrence, with the number of similar responses annotated:

1) Delivery times are too long [41].

2) Prices are too high [14].

3) Slow responses from points of contact via telephone [7].

4) The quality is poor [6].

5) They are staffed with personnel who need training on how to deal with customers, and do not have any apparent procurement experience [4].

6) The end users are not educated about UNICOR products. It is hard to convince the end users that UNICOR's bad reputation is not deserved [4].

7) Selection is poor [3].

8) Customer service is too inaccessible [2].

9) Waiver requests are too hard to have approved [2].

10) Their material inventory is too low to support the demand [2].

11) The products are of questionable quality because they are made by prisoners [2].

12) There are no drawbacks [2].

13) Goods are received damaged [1].

14) They have a problem getting parts with which to make our items [1].

b. Analysis

A large percentage (71%) of the respondents indicated simply that delivery times are too long. Fifty-seven per cent of the respondents indicated that prices were too high, quality was poor, customer service was slow, or UNICOR's civilian employees lack procurement experience. A small percentage (3%) indicated a bias against "prison made" products without any apparent justification for the bias other than the name of the firm. Twelve per cent said that the selection is poor, inventories are too low for demand, or waiver requests were too hard to get approved. Judging from the responses, it appears that UNICOR could solve a great percentage of its problems by figuring out a way to attack the long delivery time problem.

14. Question Fourteen

What do you think would be the benefits for your customers of dealing with UNICOR?

a. Discussion

There were 46 responses. Many were duplicates of others. They are listed by frequency of occurrence, with the number of similar responses annotated:

1) None or unknown [22].

2) Products are of a high quality [9].

3) There is no need to wait for competition/no limit on contracting authority, placement of

order should be faster [8].

4) Good prices [4].

5) Dealing with the same source [2].

6) Products are standardized; can be matched if replacements are required [2].

7) They would be supporting the FPI program [1].

8) Products are made in the U.S.A. [1].

9) There are fast responses by UNICOR if the items are damaged in transit [1].

10) Save tax dollars; benefit the government [1].

b. Analysis

Twenty-eight per cent indicated that end users would benefit from high quality or fair prices. Twenty-six per cent said that improved PALT, no limit on contracting authority, eliminating the need for competition, and dealing with the same source and standardized products would benefit the end users. Forty-seven per cent, however, believe that end users would not benefit from using UNICOR. It appears that field contracting activities are about split in their opinions of whether or not benefits accrue to end users as a result of dealing with UNICOR.

15. Question Fifteen

What would be the drawbacks for your customers of dealing with UNICOR?

a. Discussion

There were fifty responses. Similar responses have been consolidated. Responses are listed in order of frequency, with the number of similar responses annotated:

1) Long lead times; can't meet our schedule [33].
2) Prices are too high [11].
3) None or unknown [9].
4) Slow responses [4].
5) Poor quality [4].
6) Limited selection [3].
7) Offices are staffed with personnel who can't deal with customers; poor customer service [3].
8) It is hard to overcome the "prisoner" stigma [1].
9) I am sick of dealing with UNICOR [1].
10) Dealing with the Government bureacracies [1].
11) Goods are damaged [1].
12) Not understanding who or what UNICOR can or can not do for the customer [1].

b. Analysis

The responses were predictable, after reading the responses from Question Thirteen. Sixty-six per cent said that delivery times were too long. Thirty-four per cent said

poor quality, slow or poor customer service, or limited selection. Only one of the 50 respondents indicated a problem with the "prisoner" stereotype.

16. Question Sixteen

If you have contracted with UNICOR, please estimate the number of contracts that you award to them per year and the dollar amount of those contracts:

There were 52 responses. Three activities stated that there were "too many to count." The other 49 follow:

# Contracts Per Year	Dollar Amount Per Year	# Contracts Per Year	Dollar Amount Per Year
6	$ 2,564	200	$ 25,000
5	3,000	?	15,000
50-75	45-60,000	3	21,000
10	6-10,000	20	5-10,000
22	24,000	10	175,000
3	500	3	2,500
100	90,000	10	250,000
5	3,000	10	1,500
15	25,000	2	7,000
100	70,000	1	2,000
20	250,000	3	1,000
10	30,000	2-5	10,000
3-4	6,000	15-25	2,266,000
10	450,000	?	100,000
22	24,000	50	200,000
20-50	10,000	22	50,000
10	580,000	8	2,000
18	39,708	15	25,000
40	715,040	375	3,282,987
1	??	5	5,000
1	3,455	5	50,000
60-70	80-90,000	20	1,000,000
24	49,003	14	46,000
35	15,000	12	30-60,000
52	178,106		

The first problem to consider in reviewing these responses is that most answering activities have provided what are

obviously rounded estimates. The second problem is that several activities indicated that they had no means of extracting this data from their data bases (or didn't want to). Consequently, these estimates could be the product of possible educated guesswork, but more likely, they are "off the top of the head" estimates. Therefore, they probably are not accurate or dependable. Taking the estimates at their face value, they show that of the 52 respondents to this question, there were more than 1,500 contracts awarded per year for a total value of more than $10,000,000.00. Of course, this is a liberal interpretation of the data. Even if the data are interpreted conservatively, there still remain a significant number of contracts and a significant dollar amount. At any rate, DoN business with UNICOR is most likely in the many millions of dollars.

17. Question Seventeen

Would you say that there exists among your customers a stigma against contracting with UNICOR? Yes or No? If the answer is Yes, could you provide any reasons for this?

a. Discussion

Sixty-four activities answered this question. Forty (62%) said Yes. Twenty-four (38%) said No. The forty activities that answered Yes all provided reasons for their answers. Those reasons were condensed and similar reasons were combined. They are listed in order of frequency of responses, with the number of similar responses annotated:

1) Long delivery times [25].

2) Poor quality [16].

3) High prices [8].

4) Word of mouth [4].

5) Non-responsive to complaints [4].

6) Limited selection [2].

7) Misunderstanding of UNICOR by customers; lack of knowledge about capabilities [2].

8) Receipt of damaged goods in the past [1].

9) Fear of our ability to enforce a contract with UNICOR [1].

10) Continuous excuses from UNICOR's representatives [1].

11) Bad feelings about "convict labor" [1].

b. Analysis

Of the 40 activities that answered Yes, all claimed that either long delivery times, poor quality, high prices, or word of mouth were the reasons for their opinions. Sixty-two per cent alone said that long delivery times were the reason. Thirty-eight per cent of the total number of respondents said that a stigma among end users against contracting with UNICOR does not exist. The response to this question indicates that a serious negative perception exists among end users toward UNICOR (in the opinion of the field contracting activities who answered the question).

18. Question Eighteen

Would you say that there exists among your contract specialists/buyers a stigma against contracting with UNICOR? Yes or No? If the answer is Yes, could you provide any reasons for this?

a. Discussion

Sixty-one activities answered this question. Eighteen said Yes. Forty-three (71%) said No.

The activities that said Yes provided the following reasons for their answers, which have been condensed and similar responses combined. They are listed in order of frequency, with the number of similar responses annotated:

1) Long lead time [11].
2) Poor quality [5].
3) Poor customer service [3].
4) High prices [3].
5) Overall dissatisfaction [2].
6) Too many complaints from customers; we have to defend UNICOR [2].
7) No central points of contact [1].
8) PALT is too high [1].
9) Too many excuses from UNICOR [1].
10) Our inability to enforce contracts with UNICOR [1].
11) Inability to obtain information when we need it from UNICOR [1].

12) Unknown [1].

13) Poor selection [1].

b. Analysis

The majority of the activities indicated that there are not biases among their contract specialists or buyers against contracting with UNICOR. However, a significant amount (29%) do, and that alone means that more education about UNICOR is in order for DON. Attempting to forge partnerships between DON and UNICOR will be a useless endeavor if the very personnel who will be operating in the partnership have negative predispositions about their partner and are not positively motivated toward the program. The disparity between the responses to Questions Seventeen and Eighteen reveals a conflict that contracting officers should work towards resolving: bringing end users toward a positive view of UNICOR as a DON supplier.

C. SUMMARY

The results of the survey reflect a variety of answers to the questions. There are simple Yes/No answers and "fill in the blank" answers which are easy to analyze or quantify; recommendations for improvement of the process of contracting with UNICOR; and solicitations for respondents' opinions. An analysis of each of the questions separately, tied together into a general summary of the responses reveals the following:

1) Contracting activities are, generally speaking, acting in accordance with the law and regulations in seeking business with UNICOR first.
2) Contracting activities depend on UNICOR more for uncomplicated Metal and Wood products than for the more sophisticated products which UNICOR has to offer.
3) The most prevalent reason for contracting activities' dissatisfaction with UNICOR is the long lead time associated with deliveries.
4) Contracting activities are generally satisfied with their own training programs on dealing with UNICOR.
5) Contracting activities generally are satisfied with the catalogs and sales literature that they receive in the mail, however many activities took the time to indicate that improvement in this aspect of UNICOR's service efforts would go a long way toward improving UNICOR as an organization.
6) Contracting activities indicated, generally, that they themselves did not have negative preconceptions about dealing with UNICOR, but that their end-user customers did.

V. CONCLUSIONS AND RECOMMENDATIONS

This chapter will include conclusions from the survey results from Chapter IV, conclusions from the visits to FPI facilities presented in Chapter III, and conclusions from the literature reviewed. Conclusions from the reviewed literature will include those from the independent market study of Deloitte and Touche, the independent research firm whose work was described in Chapter II. This chapter will also include recommendations on improving relations between U.S. Navy Field Contracting Activities and the Federal Prison Industries, Inc., answers to the research questions, recommendations for further research, and the possible benefits of improving relations.

A. CONCLUSIONS OF THE RESEARCH

1. Survey Results

Based on the results of the survey, the DoN generally appears to be aware of FPI as a mandatory source, however, problems exist with the DoN-FPI relationship that require attention, particularly in light of impending budget cuts in the Department of Defense. The general conclusions of the survey are:

a. Delivery times are unacceptable.

b. Contracting activities depend heavily on

FPI for Furniture and Metals products, not for more sophisticated items such as Electronics, Data and Graphics, Optics, Leathers, or Textiles.

c. Contracting activities consider quality to be satisfactory.

d. Contracting activities generally solicit FPI routinely for availability of products and services.

e. Training programs are in place at the contracting activities, but the number of negative responses indicates that more help is needed.

f. Marketing information is generally available to the contracting activities, but the number of negative responses indicates that FPI needs to do more marketing to the end users in the manner of catalogs, updates, etc., and FPI needs to maintain comprehensive, updated mailing lists.

g. More meetings are needed between customers and FPI personnel to facilitate communications, learn each others' needs, and develop closer relationships.

h. There are minimal detrimental side effects on the private sector incurred by FPI. Survey respondents did not generally believe that FPI's use by them constituted a problem for their local industrial bases.

i. Only a small percentage of activities admitted to receiving complaints from private contractors as a result of FPI receiving a contract that they competed for.

j. Contracting activities favor the ease of placing orders when dealing with FPI - the lack of the requirement to seek competition, and the lower Procurement Administrative Lead Time (PALT).

k. Activities favor not having to seek competition from other vendors when dealing with FPI.

l. End-using customers have a bias against using FPI. The bias comes from bad past experiences and word of mouth, apparently.

m. Contracting personnel do not generally have biases against using FPI, but a significant amount (29%) do, so contracting personnel need additional training in dealing with FPI.

n. Prices are generally considered by the contracting activities not to be competitive with those of commercial sources.

o. Product selections are generally considered not to be satisfactory. Contracting activities appear to want to see more of a range of products to choose from.

p. Customer service is generally considered satisfactory.

q. Contracting activities do not have a fast, accurate way to glean information about numbers of contracts, and dollar amounts of FPI business. From the survey, it appeared that many of the activities guessed at the exact

amounts.

r. The DoN does a significant amount of business with FPI as a percentage of FPI's total sales, probably in the many millions of dollars.

Federal Prison Industries, Inc. has a great range of useful products to offer DoN, providing a diverse supply base. Federal Prison Industries' prices are set to be competitive with current market prices. Therefore, FPI should be on each field contracting activity's buyers' checklists.

2. Conclusions About Societal Benefits

From observations and interviews made at the prisons, the researcher found that the gainful employment of inmates in producing goods and services helps to stabilize prison operations. The quality of those goods and services is good, and interviews and literature reviews suggest that it has apparently improved in recent years. Observations at FPI factories certainly back up that assertion. Federal Prison Industries is undoubtedly providing a useful service to the nation, and making the most out of a tough problem. It is in the best interest of DoN contracting officers to use FPI, because in a broad sense it is better for the United States. If special interest groups succeeded in subverting FPI as a mandatory source of supply for the Federal Government, the American taxpayers would have to come up with an alternative to usefully employ inmates. That will be very expensive. The

United States can ill afford to let any such thing happen.

3. Market Share

From the researched literature and from interviews, it is obvious that Federal Prison Industries can not adversely affect the private sector; its market share is simply too small. According to Robert Grieser, Marketing Development Specialist, FPI has only 0.16 per cent of the total Federal market for goods and services:

> ...To place this figure in perspective, it should be emphasized that government is the only vehicle in which correctional industries can sell their products. If the overall private sector market were included in these figures, the share would shrink to less than one-one hundredth of a per cent....[Ref 10:p. 20]

4. Returns to the Private Sector

It can be argued that most of what FPI earns is returned to the private sector. Federal Prison Industries is in such a diversified product position that it simply can't be good enough at producing one item to enable it to push competitors out of the marketplace. An interview with an FPI official reveals that only a very small per cent of FPI's earnings ends up as income for FPI - most of what FPI earns goes right back to the private sector in the form of purchases of raw materials, equipment, supplies, services, and civilian payroll.

5. Management Attitudes at FPI

According to Mr. Rick Troxell at USP Lompoc, CA, in the last two decades the management of FPI has become more professional, business-like, and marketing-conscious. Marketing consultants and specialists reach out to potential clients. The motto of FPI has evolved to "Total Customer Satisfaction," where FPI's management hopes and expects to have its customers <u>want</u> to come to FPI for products and services because they are high-quality <u>bargains</u>, not only because FPI is merely a mandatory source. Robert Grieser:

> ...[Federal Prison Industries] doesn't try to enforce its mandatory use provisions. While the mandatory use laws are still in effect, most of the more progessive industrial programs around the nation now attempt to sell their products with the theme of "wanting" to buy from them rather than "having" to buy from them. The emphasis on producing a quality product comparable to that available from the private sector has brought about this change.... [Ref 10: p.20]

This statement can be supported by realizing the number of waivers that FPI routinely grants, a point that was discussed in Chapter II.

6. Savings to the Government

Federal Prison Industries provides direct savings to the Government. The company is run at no cost to the taxpayer. In these days of impending austere funding and the need to find ways to be more efficient, economical, productive, and in accordance with the concepts of Total

Quality Management, it behooves DoN to form partnerships with FPI such as the Just In Time materials supply relationship that FPI has with the U.S. Army. Perhaps industries such as FPI are an example of the possibility of the future state of the U.S. industrial base - a Government owned and run manufacturing firm that relies on the private sector for supplies and raw materials.

B. ANSWERS TO RESEARCH QUESTIONS

1. Primary research question: How effectively are DoN field contracting activities complying with the requirements of the Prison Made Supplies Act?

Field contracting activities are generally in compliance, however nearly a quarter (23%) of the survey respondents claimed to not check with FPI for availability of supplies or services as a matter of routine. This is clearly a significant problem that DoN must address - either field contracting activities aren't checking with FPI because they are ignorant of the law, or perhaps it is just a blatant violation. The activities that don't check may not check out of frustration over FPI's delivery times, or out of dissatisfaction with the quality of goods or services.

2. Secondary Question One: What are the requirements of the Prison Made Supplies Act?

Federal Prison Industries was created with the mission of training and employing inmates. Under the requirements of the law (Title 18, USC, 4121-4129), agencies of the executive

branch of the Federal Government must solicit business from FPI first for the products and services that FPI produces before seeking those products or services from commercial sources.

3. Secondary Question Two: How has the Act been implemented within the Federal Government, specifically the DoN?

The Federal Acquisition Regulation (FAR) Subpart 8.6 is very explicit in its requirements for Federal Government agencies. According to the FAR, Federal Government agencies are to be the sole customers of FPI (unless FPI sells to a prime contractor who is performing a contract for the Federal Government), to purchase supplies and services listed in FPI's Schedule of Products. Approximately 60 per cent of FPI's business is with the Department of Defense. The survey research of DoN field contracting activities revealed that of the 76 respondents to the survey, 23 per cent did not check with FPI first for availability of products and services as a matter of routine as they are required to by law.

4. Secondary Question Three: What types of supplies and services are provided by FPI?

The Federal Prison Industries, Inc., provides a wide range of supplies and services. By law, FPI is required to be very diversified so as to not become too adept at producing any one commodity and risk driving a private competitor out of the marketplace. Inmates are employed in labor-intensive

operations, so as to employ as many of them as possible. A representative sample of product and service offerings is provided on page 12 of Chapter II.

5. **Secondary Question Four: What organizational impediments affect the proper use of products from FPI?**

There are several organizational impediments that affect the proper use of FPI's products and services. First of all, thesis research (survey, interviews, literature review) indicates that DoN activities simply do not have a realization of exactly what FPI has to offer them. Fourteen per cent of survey respondents indicate that they do not receive FPI's catalogs or marketing/sales updates on a regular basis. Secondly, 23 per cent of the survey respondents indicated that they do not check regularly with FPI for availability of products and services (as they are required by law to do prior to seeking business from commercial sources). This is an impediment in that it shows a lack of concern on the part of a significant portion of the contracting activities queried to adhere to the requirements of the law. Third, 62 per cent of the activities queried said that their customers (the end users of FPI's products) already had poor opinions of FPI. Eighteen per cent said that their buyers/contract specialists had negative biases toward FPI. Whether or not these biases are founded in fact, their mere existence makes it difficult for contracting activities to do

business with this organization when it has a negative reputation in contracting/end-user circles. The human factors involved in dealing with any source, such as pre-formed opinions that a buyer may or not bring along in dealing with a source, can not be ignored as contributing factors in the success or failure of a contracting effort. They are also extremely important factors to be considered when attempting to develop long term business relationships between buyers and sellers. Lastly, according to the results of the survey and the interviews, there is a heavy reliance among DoN contracting activities for Wood and Metal products from FPI, and not as much of a reliance for products from the rest of FPI's vast line of products. This heavy reliance on Woods and Metals leads to an over-abundance of orders for those products from FPI, a heavy backlog, and long lead times for delivery as a result. As discussed in Chapter III, FPI can only order raw materials upon receipt of orders from the activities. With no inventory of raw materials on hand and no inventory of finished goods on hand, FPI must produce its products literally "from the ground up." Inevitable delays in deliveries result, and perceptions about FPI's already well-deserved reputation for long delivery times worsen.

6. Secondary Question Five: What benefits can be gained by actively utilizing FPI?

Since 1934, FPI has been a self-sustaining entity that operates at no cost to the taxpayers. Federal Prison Industries employs and trains inmates, increasing their potential for rehabilitation after prison, and useful service while in prison. Support of FPI ultimately helps to ensure the safe and secure operation of Federal prisons. FPI returns over 80 per cent of sales to the private sector in the form of procurements from them, and 49 per cent of FPI raw materials purchases are from small businesses [Ref 6: p. 2]. Federal Prison Industries is required to meet rigid quality and specification standards that the Federal Government demands. In these days of fascination with the tenets of Total Quality Management and the philosophy of Dr. W. Edwards Deming, FPI actively practices continuous improvement and manufacturing process control. Department of Defense and General Services Administration inspectors have historically been found on-site at FPI factories, monitoring and reviewing production processes [Ref 6: p. 2]. As FPI grows, it is more able to meet the demands placed on the prison system by increasing inmate populations.

Further benefits of dealing with FPI include: no price justification is necessary; no price competition is necessary, making Procurement Administrative Lead Time (PALT) shorter for

the contracting activity; there need be no concern for small business set asides or small disadvantaged business quotas; follow-on contracts can be arranged more easily; quality is generally excellent or superior; factory managers are more than happy to show their quality plans to anyone; unlimited dollar buys can be made since there are no restrictions; there can be more time spent on honing statements of work for large buys, since there is no longer a requirement to obtain competition.

a. Post Release Employment Project

The Federal Bureau of Prisons (Office of Research and Evaluation) released a report in June 1991, "Post Release Employment Project." [Ref 5] The report findings and the data were reviewed and are summarized briefly here: The Post Release Employment Project was designed to answer fundamental questions about the effect of prison vocational training and work experience on the offender's behavior when he is released to the community. The report analyzed the potential differences between Federal offenders who received training and work experience and those who did not participate in these activities. The study found that inmates who participated in FPI work during their imprisonment showed better adjustment, were less likely to be re-imprisoned at the end of their first year back in the community, were more likely to be employed in their communities, and earned slightly more money in their

communities than inmates who had similar background characteristics but who did not participate in work.

b. Other Benefits

The potential for partnerships between DoN activities and FPI is rich with opportunity. It is no secret that defense dollars are dwindling fast, and the need to save money where possible is of paramount importance. Just In Time relationships such as the one between FPI and the U.S. Army Communications and Electronics Command are not only possible, but necessary.

7. Secondary Question Six: What actions are required to enhance FPI's participation in DoN contracting?

a. Market Surveys by FPI

FPI should perform its own market surveys, research, or queries of customers to find out ways that it can better serve them.

The questions posed to the participants in this thesis research have indicated that there is a lack of knowledge about FPI's product lines and capabilities. DoN activities do not feel that they know who to call when they have a problem. By performing its own market study, FPI can expect to receive recommendations as to how it can better serve its customers.

b. Enforcement of the Prison Made Supplies Act

The Prison Made Supplies Act has no "teeth." From information obtained in the interviews and readings,

FPI and/or the Bureau of Prisons do not attempt to enforce the law with as much vehemence as they perhaps should. Perhaps another agency should be employed to enforce the statute, since FPI can only lose more favor with potential customers should they refuse to grant waivers. The DoN must present direction, guidance, and policy about FPI for its field contracting activities at regular intervals. Navy activities should proactively involve themselves with FPI, rather than bypass FPI as a source. The use of FPI and waiver documentation should be reviewed as a part of each Procurement Management Review.

c. Feedback to FPI

Field contracting activities need to provide performance feedback to FPI's headquarters when appropriate. Communication needs to be frequent, if necessary. The chains of command of the field contracting activities need to be kept informed of the status of the relationship, especially when the relationship is deteriorating.

d. Training

Department of the Navy field contracting activities need to conduct more training for Contract Specialists (Federal Government employee 1102 series) in dealing with FPI. Even one hour of training would be useful during their initial training course. Areas to be covered should include a brief background of FPI's history and

purpose, an introduction into what products and services are offerred, and a listing of points of contact at FPI to call when problems are experienced.

e. Cooperation Between Marketing Personnel and Contracting Officers

Federal Prison Industries marketing personnel must cooperate with the contracting officers. Problems and differences must be explored via face to face meetings, and solutions jointly worked out. More human interface will go a long way in improving relations.

f. Partnerships

Partnership opportunities, such as Just In Time relationships, should be explored as much as possible. If FPI knows how much to produce and when to produce it, such as with the FPI-U.S. Army Just In Time relationship, then more efficient business relationships can be established and problems in delivery schedules can be avoided via proper planning.

g. Self-Education by Contracting Officers

Contracting officers and managers must educate themselves about FPI's mission, capabilities, and benefits of use. Contracting officers must stay up to date with information pertaining to FPI, ensuring that they remain on FPI's mailing list, and calling FPI's headquarters or customer service operations with questions or recommendations.

Maintaining currency with contracting issues is part of being a conscientious contracting professional.

h. Capabilities Briefings/Marketing Plans

Federal Prison Industries should assemble a capabilities briefing and a plan for sending out periodic notices. These should be distributed, via the contracting directorate at the Naval Supply Systems Command, to navy buying activities and end users so that all activities are provided with information about UNICOR's capabilities. This could also serve as a check, so that NAVSUP could ensure that all of its contracting activities are on any mailing list that FPI is planning to use to send out information.

i. Telephone Access

Federal Prison Industries should set up a 1-800 telephone number, manned 24 hours per day, seven days per week. Central points of contact should be made available for tracking purchase requests closely, or for expediting of purchase requests. In this way, FPI could ensure that no Federal Government activity could claim that it was not able to reach a point of contact at FPI when it had a problem or question.

j. Movement Into Vacated Industries

As Deloitte and Touche recommended, Federal Prison Industries should move into industries which have left the domestic market in the U.S. and have moved overseas.

Federal Prison Industries should serve as a subcontractor for those domestic firms that need the goods or services. This would save the other firms the expense of procuring from an overseas supplier, and would provide a dependable, stable new domestic supplier. Of course, the industries entered into would be only those types that could serve FPI's mission of employing as many inmates as possible in labor-intensive work, but which had been vacated by domestic firms because they could no longer make a profit by remaining in the industry. [Ref 13: pp. 75-6]

C. FINAL REMARKS

It is no secret that defense dollars will be dwindling in future years. The need for well planned, well managed, innovative, and efficient contracting processes has never been greater. The Department of the Navy can meet its operational goals without excluding the possibility of fulfilling socioeconomic requirements which the Congress has laid down. The reality of the status of our prison systems will not fade - prison populations are growing and prisoners need to be kept busy and productive. FPI is performing that function, and effectively so. The DoN needs to make a special effort to take advantage of the fine quality available from products made at Federal prisons. Exploring new, smart, productive ways in which Federal agencies can coexist and work together in partnerships to facilitate the attainment of the goals of

both is a challenging problem that faces contracting professionals in the U.S. Navy today.

D. AREAS FOR FURTHER RESEARCH

Future areas of research in this general area could include: 1) exploring the cost effectiveness of navy activities' entering partnerships with FPI for specific products that are unique to their needs; 2) the possible benefits of bringing the services that need to be performed to the prisons for completion by inmates; 3) exploration of what services FPI could adequately and effectively provide to DoN that aren't being provided now; and 4) exploration of how FPI could concentrate more attention to filling more technical requirements of DoN, rather than standard furniture and metal products.

APPENDIX A

CASE STUDY OF A SPECIFIC PROBLEM BETWEEN THE FEDERAL PRISON INDUSTRIES, INC., AND A DEPARTMENT OF THE NAVY ACTIVITY

The following case was submitted by Mr. Paul D. Roche, JD, CPCM, Contract Specialist at the Integrated Combat Systems Test Facility, San Diego, CA, in September 1991. It was submitted in order to facilitate Mr. Roche's answers to questions four and nine of the research survey which was explained in detail in Chapter IV. Mr. Roche also indicated that he wanted to provide an example of "...Government personnel not understanding the role of UNICOR...."

Under a MILCON project, managed by NAVFAC (Naval Facilities Engineering Command), our activity was authorized a new laboratory in the San Diego Point Loma Navy Complex. NAVFAC, without consulting the mandatory agencies in government, contracted with a civilian firm to design and make drawings of the interior of the building. This contract cost the government $48,000. According to NAVFAC, this was mandatory for us to do because NAVFAC has a directive that says it will be done this way. This was accomplished without consulting the Federal Acquisition Regulations. If procedures had been followed closely, UNICOR could have been called for

design work, blueprints could have been given to them immediately, and negotiations for the workstations, color scheme requirements, etc. could have been done properly. Instead, NAVFAC simply contracted with a civilian contractor.

When the time came to prepare to make the purchase of work stations for the new building and to pick out colors for the interior design, the requirements of the FAR were followed, and mandatory sources were consulted. If NAVFAC had consulted UNICOR as they should have earlier on, all of the proper planning would have been accomplished already. However, UNICOR required the plans which we already had obtained. These plans were not compatible for transfer to UNICOR's personal computer programs. Therefore, UNICOR requested that the Navy furnish plans at an additional cost to us. UNICOR wanted to charge for the effort that had already been paid to the civilian contractor. Rough blueprints were furnished to UNICOR. By this time, dealings with UNICOR had become less than friendly because our technical personnel had spread rumors about UNICOR's alleged reputation. UNICOR does not have contracting personnel (1102's) who can deal with procurement problems. An adversarial relationship developed early on, for no reason. UNICOR was called in to the picture and was already behind the eight ball, through no fault of their own. They had to overcome an adversarial atmosphere.

When UNICOR could not give definite answers or solutions

immediately, the customer became impatient and requested a waiver to buy from some other contractor. The ICSTF was forced to request the waiver because we, the Navy, do not fully understand a government agency's mandatory role in procurement.

Our technical personnel have branded UNICOR as a furnisher of "cheap" products. However, none of the technical personnel have called UNICOR to fulfill its warranties.

One person's experience with UNICOR, apparently, has established this command's perception of UNICOR as bad performers. However, I know for a fact that UNICOR has furnished some classy items for large government installations throughout the United States.

Navy procurement personnel need to be thoroughly educated in the methods of dealing with UNICOR, and Purchase Management Review teams should make in-depth evaluations of why Navy installations obtained waivers, and did not buy from mandatory sources. According to a representative from UNICOR, agencies do not have to give PMR teams an in depth explanation of why a waiver was obtained, with the appropriate circumstances noted in the file. Justifications are normally handled as routine items. Poor planning and loss of funds results as an ultimate result of this.

APPENDIX B

ACTIVITIES THAT PARTICIPATED IN THE SURVEY

The following activities participated in the thesis research survey, returning their questionnaires between 8 August 1991-29 September 1991:

1. Navy Cargo Handling and Port Group, Williamsburg, VA
2. Naval Supply Center, Norfolk, VA
3. Naval Supply Center, Charleston, SC
4. Naval Supply Center, Oakland, CA
5. Naval Supply Center, San Diego, CA
6. Naval Supply Center, Pensacola, FL
7. Naval Supply Center, Jacksonville, FL
8. Naval Air Station, Beeville, Texas
9. Shore Intermediate Maintenance Activity, Newport, RI
10. U.S. Marine Corps Logistics Base, Albany, GA
11. U.S. Marine Corps Logistics Base, Barstow, CA
12. Naval Station, Charleston, SC
13. Naval Training Station, Orlando, FL
14. Training Command, Atlantic Fleet, Norfolk, VA
15. Naval Construction Battalion Center, Port Hueneme, CA
16. Naval Submarine Base, San Diego, CA
17. Naval Publication and Printing Service Detachment Office, Bremerton, WA
18. Naval Ordnance Test Unit, Cape Canaveral, FL
19. Military Sealift Command Office, San Diego, CA
20. Fleet Training Center, Norfolk, VA
21. Nuclear Weapons Training Group, Norfolk, VA
22. Shore Intermediate Maintenance Activity, Philadelphia, PA
23. Naval Sea Systems Command PERA (CSS), San Francisco, CA
24. U.S. Marine Corps Air Station, Cherry Point, NC
25. Supervisor of Shipbuilding, Conversion, and Repair, New Orleans, LA
26. Naval Sea Support Center Pacific, San Diego, CA
27. Naval Ocean Systems Center, San Diego, CA
28. Naval Submarine Base Bangor, Bremerton, WA
29. Naval Facilities Engineering Command, Western Div., San Bruno, CA
30. Supervisor of Shipbuilding, Conversion, and Repair, San Diego, CA
31. Naval Facilities Engineering Command, Norfolk, VA

32. Naval Administrative Command, Great Lakes, ILL
33. Supervisor of Shipbuilding, Conversion, and Repair, Bath, ME
34. Naval Submarine Base Pearl Harbor, Hawaii
35. U.S. Marine Corps Air Station, Yuma, AZ
36. Shore Intermediate Maintenance Activity, Norfolk, VA
37. Supervisor of Shipbuilding, Conversion, and Repair, San Francisco, CA
38. Naval Air Station Jacksonville, FL
39. Strategic Weapons Facility, Kings Bay, GA
40. Naval Undersea Warfare Engineering Station, Keyport, WA
41. Supervisor of Shipbuilding, Conversion, and Repair, Long Beach, CA
42. Integrated Combat Systems Test Facility, San Diego, CA
43. Naval Air Station, Corpus Christi, TX
44. Naval Space and Warfare Systems Command, Arlington, VA
45. U.S. Marine Corps Air Station, El Toro, CA
46. Navy Public Works Center, San Diego, CA
47. Naval Ordnance Station, Indian Head, MD
48. Supervisor of Shipbuilding, Conversion, and Repair, Charleston, SC
49. Commander, Operational Test and Evaluation Force, Norfolk, VA
50. Navy Supply Corps School, Athens, GA
51. Office of Naval Research, Washington, DC
52. Ships Parts Control Center, Mechanicsburg, PA
53. Shore Intermediate Maintenance Activity, San Diego, CA
54. Naval Facilities Engineering Command, Philadelphia, PA
55. Naval Education and Training Support Center Pacific, San Diego, CA
56. Supervisor of Shipbuilding, Conversion, and Repair, Seattle, WA
57. Naval Missile Test Facility, Point Mugu, CA
58. Naval Air Station Point Mugu, CA
59. Naval Station Philadelphia, PA
60. Naval Air Station Cecil Field, FL
61. Naval Submarine Base New London, Groton, CT
62. Naval Amphibious Base, Little Creek, VA
63. Naval Weapons Center, China Lake, CA
64. Naval Weapons Station, Earle, NJ
65. Supervisor of Shipbuilding, Conversion, and Repair, Sturgeon Bay, WI
66. Supervisor of Shipbuilding, Conversion, and Repair, Newport News, VA
67. Aviation Supply Office, Philadelphia, PA
68. Naval Air Systems Command Headquarters, Arlington, VA
69. Naval Engineering Support Activity, St Inigoes, MD
70. Naval Submarine Support Facility, Groton, CT
71. Naval Aviation Depot, Alameda, CA

72. Naval Surface Force Atlantic Readiness Support Group, Norfolk, VA
73. Naval Air Station Whidbey Island, CA
74. Naval Station Roosevelt Roads, Puerto Rico
75. Naval Air Station Oceana, Virginia Beach, VA
76. Naval Air Station Norfolk, VA

APPENDIX C

LIST OF PERSONNEL INTERVIEWED

- Mr. Terrence Gray
  Marketing Consultant, Western Marketing Division
  Federal Prison Industries, Inc., Concord, CA
  Interviews granted 22 August 1991, 10 October 1991

- Mr. Ernie Valencia
  Furniture Factory Manager
  Federal Correctional Institution
  Pleasanton, CA
  Interview granted 20 September 1991

- Mr. Ray Laws
  Printing Factory Manager
  United States Penitentiary
  Lompoc, CA
  Interview granted 13 September 1991

- Mr. Loy Hayes
  Warden
  Federal Correctional Institution
  Pleasanton, CA
  Interview granted 20 September 1991

- Mr. Mark Turner
  Industrial Specialist, Costing and Scheduling
  Electronics Division
  Federal Prison Industries, Inc., Headquarters
  Washington, D.C.
  Interview granted at FPI Trade Show, San Francisco, CA 22 August 1991

- Ms Yvette Plummer
  Contracting Officer
  U.S. Army Communications and Electronics Command
  Fort Monmouth, NJ
  Interview granted 22 October 1991

- Ms Pamela Mckee
  Drapery Factory Manager
  Federal Correctional Institution
  Pleasanton, CA
  Interview granted 20 September 1991

- Mr. Dennis Johnson
  Electronics Factory Manager
  United States Penitentiary
  Lompoc, CA
  Interview granted 13 September 1991

- Mr. Richard Troxell
  Assistant Superintendent for Industries
  United States Penitentiary
  Lompoc, CA
  Interview granted 13 September 1991

- Mr. Harry Johnson
  Associate Warden/Superintendent for Industries
  United States Penitentiary
  Lompoc, CA
  Interview granted 13 September 1991

- Mr. Lawrence Novicky
  Senior Business Executive of the Business Development Group
  Federal Prison Industries, Inc., Washington, D.C.
  Numerous interviews granted April, July, August, September, October 1991

- Ms Kay Hennigan
  Code SUP-021A
  Naval Supply Systems Command
  Washington, D.C.
  Interview granted 4 June 1991

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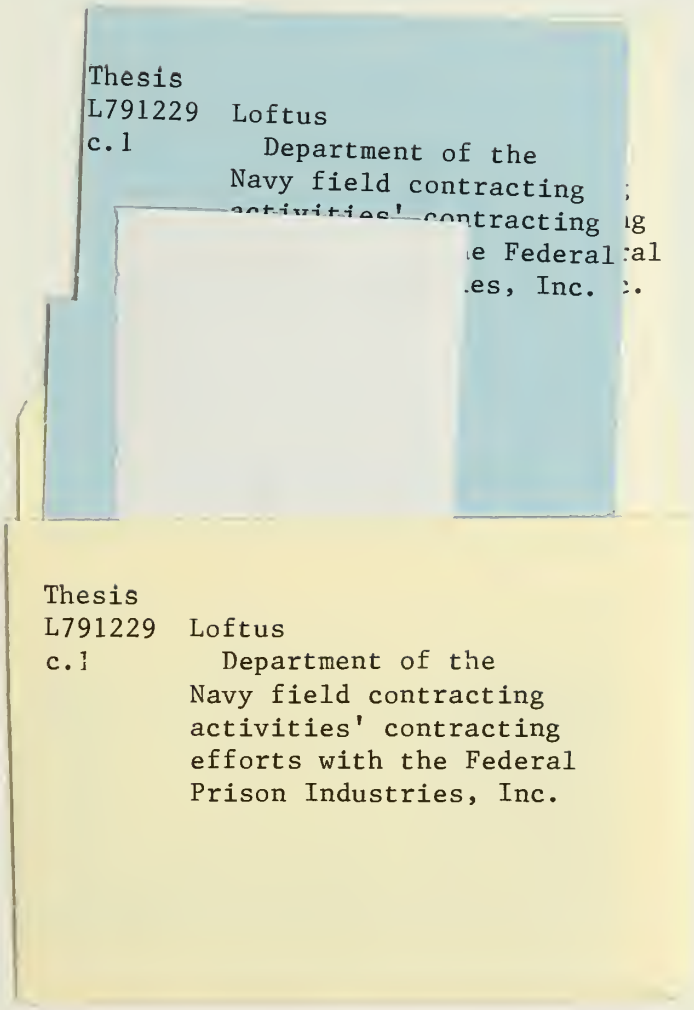
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